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SELLING *or* SELLING OUT?



PARTNERING WITH PRIVATE-EQUITY





SELLING or SELLING OUT?



Selling or selling out?

There has been quite a bit of unsolicited advice directed at the owners of private dermatology practices recently. The advice comes from critics of private equity in dermatology, and its thrust is fairly simple: private practice owners should not sell their practice to a private equity-backed group. Doing so, these critics imply, is not just selling your practice. It's *selling out*.

This is an assumption I whole-heartedly reject.

The decision my partners and I made to combine our successful, multi-site private practice with the private-equity backed group Forefront Dermatology has proven enormously beneficial for us, our patients, and the rest of our team. As an illustration, I'm now a third more productive than I was before we joined Forefront, and I haven't added a single hour to my workweek.

For me, selling was never an exit strategy; it was a way to offload stress, secure the future of a practice I had spent my career building, and rebalancing how my professional time was spent. Still, I never anticipated how fully this decision would transform how I practice medicine. After three years in this new partnership I can confidently say I have become a far better physician than I was before—and what's more, I genuinely enjoy my work again. Having reliable and sophisticated administrative support has unburdened me and my partners, and the result is greater satisfaction for us, superior care and service for our patients, and a wider network of expert physicians to teach and to learn from.



Growth = success + stress

The journey my partners and I took from growing an independent practice

to joining a larger family of practices began in 1992. Within ten years, our practice grew to thirteen providers in six offices. It was one of the biggest dermatology practices in the country at the time, and one of the most innovative. We were investing in lasers when private practices weren't buying them and they were only in academic settings. We were offering body contouring services when many in the field were just hearing about it.

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Early on, growing at such a rapid rate presented a number of business and administrative challenges, but we were all doing what we loved—practicing medicine at the cutting edge and providing our patients with the best care possible. However, changes in the practice of dermatology meant that our success was both fueling our growth and creating a huge amount of stress for us as owner/practitioners. Another stress was the significant hazard of losing a

provider. Because we were so dependent on our dermatologists to create and sustain the value of the practice, the possibility of losing one was a perpetual worry.

The worst part about this period was the uncertainty about how it would all end up. My partners and I knew that if we just continued with the status quo, when the time came to sell our practice, the likelihood of finding the right young doctors to buy it was low. As most private practice owners of my age will attest, we simply did not have the work-life balance that young doctors prize so highly today. We were also more flexible about where we practiced (i.e., we often worked outside of major metropolitan areas and their suburbs). Thinking through our options, my partners and I kept asking ourselves: What early career dermatologist would possibly have both the interest in running a major practice *and* the funds needed to make the purchase?



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What we didn't want

Even when the current stresses and uncertainties about the future were at their worst, no one in my practice was ready for retirement. We still wanted to explore new procedures and techniques, and we cherished having a real impact on our patients' lives. Yet the facts remained: we were increasingly exhausted and exasperated by the mounting demands of the back office.

In looking to partner with a larger group, then, we weren't interested in wringing the value out of our practice—far from it. We were just looking to create a more tranquil existence. We wanted to focus more on medicine, have less variability in our days, and minimize our pressure and stress.

Joining Forefront freed us from that worry, and fortified us with the strength of over a hundred other like-minded board-certified dermatologists. The decision to sell to Forefront undoubtedly elongated my career.

Preconceptions about private equity



Anyone who reads our specialty's trade and academic journals will have some trepidation about private equity. My preconceived fears included the fear of losing control, fear of having my creativity constrained, and the fear that the practice we'd worked so hard to distinguish would become just another cookie-cutter office. *None of those fears came true.*

My sense before Forefront was that I wasn't the type of physician that private equity typically acquires: I've always had the owner mindset. It was unsettling (to say the least) imagining being treated like an employee in a setting my partners and I had built ourselves. But Forefront, as I've learned, isn't a typical private equity-backed dermatology group practice: its robust physician leadership ensures complete clinical autonomy for their colleagues. Nobody tells me how to run my practice, or how many people I can hire. There are some mundane administrative details that I don't really care about that are consistent across Forefront's locations, but the practice I spent my career building still has the feel of us. It's our practice but in a bigger context.

In fact, when patients see the Forefront name on the bill and say, "Hey, you sold your practice!", I always reply: "No, we combined our practice." They own us and we own them. Now I'm just part owner of a bigger organization—and what I think is a better organization." I'm not just saying that, either. The sale allowed my partners and me to realize our practice's value, tangibly and immediately. But it also gave us the opportunity to invest in the larger organization as shareholders, underscoring our position as owners going forward.

I'd be the first to say that I can only speak about my own experience, which may be unique. After all, Forefront is a selective group practice, and the ethos of Forefront is not to go out and acquire any practice they can. Their careful attention and vetting of prospective partners really shows; the practices that have joined since I've been on board have all been composed of like-minded professionals devoted to providing high-quality patient care.



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What we deliver now

For patients, the beauty of a sizable single specialty practice like Forefront is that patients benefit from the collective experience and collaboration of over one hundred doctors. This network also benefits us physicians, as we have access to the wisdom of a highly engaged group of professionals. For the first time in my career I feel more collegial and collaborative than competitive. And yet Forefront's culture of excellence and my own orientation still motivate me to refine my skills and learn new techniques.

For example, when I joined Forefront my production would have put me in the top 1% of dermatologists in the country. As a part of Forefront, last year my productivity was up a third from a comparable period before we joined Forefront. When I spoke with some of my colleagues about this bump, they all said, "How'd you do that?" My reply was that I'm working smarter and more creatively now that I no longer have to field every administrative query and management problem (not to mention carrying the weight of the risks associated with those decisions).

Even though we were the sole owners before Forefront, our new freedom means that my partners and I have now been able to engineer the practice more how we want it to be. In particular, my goal has always been, particularly as time has gone by, to spend more of my clinical time doing procedural and cosmetic dermatology. Making that transition always seemed to stall out, though, and I couldn't get past the 50% mark. After joining Forefront, I'm spending more than 70% doing the work I want to do, and it feels great.



Looking back, moving forward

I began this journey by building a dermatology practice with my partners, but somehow we ended up running a business. Because I had never been trained in the business management side, though, I navigated it by gut feeling—a real hit-or-miss approach—and hoped the hits outweighed the misses.

My partners and I did well and we were successful. But as my first header reads, *Growth = Success + Stress*. The more successful you become, the more the business consumes you, and the further and further you move away from the medical part of dermatology. In our case, we ended up having six sites demanding our attention, and 120 staff members to manage. You may not be fully aware of just how far you're being pulled away from the practice of medicine until the pendulum has swung entirely in the opposite direction.

For someone starting out right now, it may sound exciting to make the investment to start a practice or to join a practice with the expectation of buying out a senior doctor down the road. But that road is a tough one, and you've got to be willing to devote your life to it.



Why I reject the question.

What should the life of a dermatologist owner look like, ideally?

To me, the move from my successful private practice to Forefront meant that I recaptured some of the excitement and artfulness I had started with—while giving me access to new and impressive peers and a host of good, smart operations people to help me in any way they can. Because of them and because of the particular nature of my partnership, I breathe more easily today than I ever did in private practice and yet I am more productive and help more patients. Finally, I've given up exactly zero control of what matters to me and to my patients. And there's nothing further from "selling out" than that.